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# The Compliance Connection

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State Corporation Commission - Bureau of Financial Institutions  
Regulatory News for Virginia Mortgage and Consumer Finance Licensees

Fall 2000

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The Compliance Connection is published quarterly and is part of the Bureau's efforts to improve communication with the companies we regulate. It is distributed to Virginia mortgage, consumer finance, industrial loan and non-profit debt counseling agency licensees and other interested parties. We encourage you to read each newsletter and distribute the information to all staff members.

Suggestions and comments concerning the newsletter or its contents should be addressed to the Bureau at P.O. Box 640, Richmond, Virginia 23218-0640 or via e-mail at: [nwalker@scc.state.va.us](mailto:nwalker@scc.state.va.us).

Welcome to the world - Meredith Orne!

Special thanks to Andrea Leeman for her contribution to this issue!

## **Analysts Report Delays in Receiving Required Information:**

The Bureau's analysts have reported difficulty in receiving completed officer's questionnaires from licensees. The delays are especially noted during "off-site examinations" (when out-of-state licensees send copy files to the Bureau for review) but occur during "on-site" exams as well.

In certain circumstances, the Bureau allows low-volume, out-of-state mortgage licensees to send the completed officer's questionnaire, copy of loan files and other requested documentation to the Bureau for review. This eliminates the expense incurred by the licensee for conducting an out-of-state exam (transportation, lodging, per diem). When possible, licensees are given the option of having the examination conducted at their office(s) or sending the necessary documentation and loan files to the Bureau. (continued on Page 3)

## **Gramm-Leach-Bliley Act: What it means to you:**

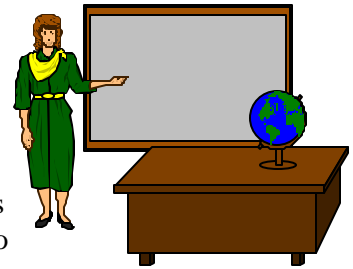
The Gramm-Leach-Bliley Act, also known as the Financial Services Modernization Act (the "Act") was signed by the President on November 12, 1999.

The Act requires every "financial institution" to provide notice to customers about its privacy policies and practices; to describe the conditions under which a financial institution may disclose nonpublic personal information about consumers to nonaffiliated third parties; and to provide a method for consumers to prevent a financial institution from disclosing that information to certain nonaffiliated third parties by "opting out" of that disclosure, subject to various exceptions as stated in the rule.

Rules issued by federal regulatory agencies include definitions of specific terms used in the Act, such as "nonpublic personal information", "customer", "consumer", "financial institution", "affiliate", "clear and conspicuous" and many others. The definition of "financial institution" in the Rule includes, **but is not limited to**, consumer finance companies, mortgage lenders, mortgage brokers, real estate appraisers and entities who provide real estate settlement services. (continued on Page 5)

## Attention New Mortgage Licensees:

Friday, February 16, 2001 is the date of the next orientation for new mortgage licensees. Companies who are licensed between October 1<sup>st</sup> and December 31<sup>st</sup> will receive information about the session. Orientation begins at 9:30 a.m. at our office and concludes around 4:00 p.m. Licensees who were unable to attend previous sessions should also register. Space is limited, but we will make every attempt to accommodate interested parties. Call Carol Foster at (804) 371-9701 to register!



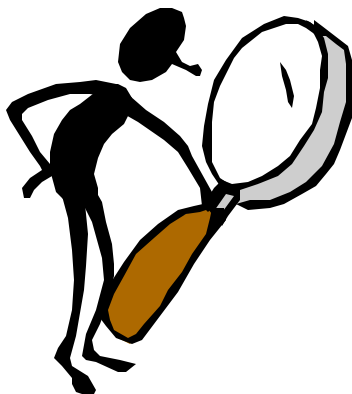
## BFI Basics:

As we come to the end of the year, we thought it might be helpful to provide a brief snapshot of the Bureau's Consumer Finance and Mortgage Section – what entities we regulate, the make-up of our staff and an overview of the examination process.

Our section is responsible for the regulation of mortgage lenders and brokers, consumer finance companies, check cashing companies, non-profit debt counseling agencies, industrial loan associations and money order sellers/transmitters (see the chart below for the number of specific licensees). The Consumer Finance and Mortgage section currently consists of nine field analysts, two office analysts, a principal office technician and the Deputy Commissioner -- thirteen employees to regulate 1395 licensees. When we started examining mortgage licensees in 1988, we had a staff of 16 and approximately 600 licensees.

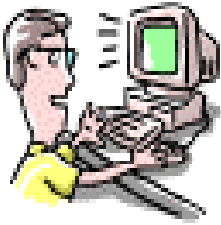
As you can imagine, the bulk of our time is spent examining mortgage lenders, brokers and consumer finance companies. We are required to examine these licensees at least once in every three-year period. Once the analyst conducts the examination, he completes the analyst's portion of the Report, reviews the licensee's section of the Report and submits the completed Report to the office for review. Before the Report is mailed to the licensee for their response, it must be logged into our computer system and reviewed by an office analyst. Unfortunately, due to the ever increasing number of licensees (and the decreasing number of examination staff) the review process takes longer than we would like, but be assured we are doing all that we can to shorten the time involved in the examination process.

## Breakdown of licensees (as of 10/17/00):



TYPE OF LICENSEE	NUMBER OF LICENSEES
Mortgage Brokers	633
Mortgage Lenders	143
Mortgage Lender and Brokers	235
Consumer Finance Companies	283
Check Cashers	40
Non-Profit Debt Counselors	14
Industrial Loan Associations	8
Money Order Sellers/Transmitters	39
<b>TOTAL</b>	<b>1395</b>

## Millenium Makeover for Commission Website:



Have you been to the Commission's website lately? The site received a much needed facelift in October. It contains much of the same information as before, but with a more current look and logical progression. Results of a survey completed last September helped in determining how best to modify the site to make it more appealing to users.

Virginia is on the fast track toward electronic government, and the Commission is doing its part to maintain the pace. The Commission will soon launch an experimental e-filing program (in the Office of the Clerk of the Commission) and continue its work to make more information available via the web and to make many of its functions interactive.

[www.state.va.us/scc](http://www.state.va.us/scc)

## Examiners Report Delays (continued from Page 1)

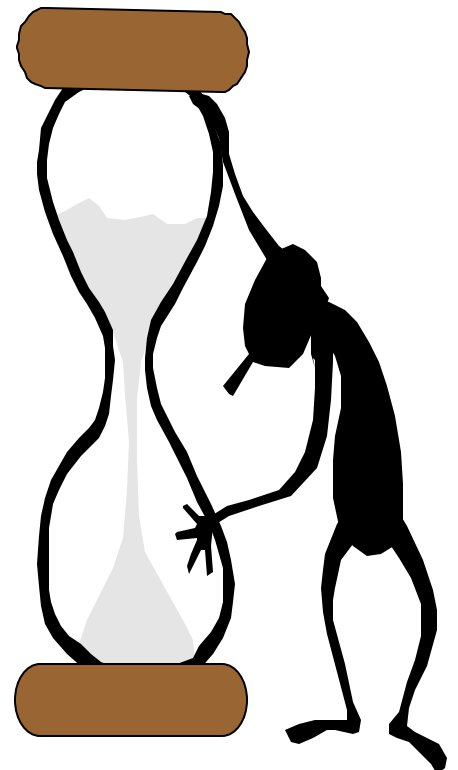
Off-site examinations are not feasible for out-of-state licensees with larger loan volumes.

Delays have also been noted during "on-site" exams. The questionnaire is now available on disk or via e-mail, for those licensees who indicated that it was too difficult and time consuming to type their responses "the old fashioned way". Please take the time to complete the questionnaire while the analyst is in your office. Delaying the completion of the questionnaire usually results in additional time spent (by licensees and analysts) with phone calls and meetings to finalize the process. This increases the overall cost of regulation.

Delays have also been experienced in receiving written responses to Reports of Examination. Too much time is spent by Bureau staff following up (via phone calls and letters) with licensees who do not respond at all or do not address the issues cited in the Report. The number of analysts assigned to conduct the examinations and review the final report has decreased in the last five years, but the number of licensees has steadily increased (see related article on Page 2). We would prefer to spend the time currently used following up on written responses to review other reports and investigate unlicensed lenders/brokers, fraudulent activity and abusive lending practices. Again, such delays increase the cost of regulation.

Timely responses to Bureau requests for documentation are essential to the examination process. If delays in receiving the required documentation continue to occur, the Bureau may decide to conduct all examinations on-site regardless of the travel involved.

We ask you to respond quickly and completely to requests from analysts for examination materials and to provide a written response to examination findings within the time frame specified in the cover letter sent with the Report. The quicker you respond to us, the quicker the examination process is over!



## **License Update:**

The following is a list of companies who have surrendered their license, had their license revoked, application denied or been fined by the Commission **since July 15, 2000**. We hope the list is helpful in keeping track of companies with which you do business. **These lists are accurate as of October 20, 2000**. Call the Bureau if you have a question concerning a recent denial, surrender or regulatory action taken by the Commission.

### **MORTGAGE LICENSES SURRENDERED SINCE JULY 15, 2000**

- |  |   |
|--|---|
| MB – 926 Smith Mortgage Company, LLC – 7/15/00   | MLB – 614 Country Funding, Inc. – 8/21/00   |
| MB – 785 Nationwide Mortgage Services, Inc. – 7/24/00  | MLB – 329 America's Funding Group, Inc. d/b/a AFG Equity Services – 9/8/00  |
| MB – 1557 Woodmont Mortgage Corp. – 7/25/00  | MB – 1119 Intersouth Mortgage, Inc. – 9/11/00   |
| MB – 1305 James W. Reed – 7/25/00  | ML – 416 Westmark Mortgage Corporation – 9/12/00  |
| MB – 820 Atlantic Coast Capital, Inc. – 7/25/00  | MB – 1444 Russell S. Watson t/a First American Home Equity – NOW LICENSED AS FIRST AMERICAN HOME EQUITY (MB – 1619) – 9/29/00 |
| MB – 39 Chaplin Mortgage Investment Corp. – 7/31/00  |   |
| MLB – 499 Congressional Funding, Inc. – SURRENDERED LENDER AUTHORITY ONLY – NOW MB – 1622 – 8/1/00                       | ML – 303 Fidelity Mortgage Funding, Inc. – 9/29/00  |
| MB – 1242 Cheryl L. Saunders d/b/a Plan B Mortgage – NOW LICENSED AS PLAN B MORTGAGE SERVICES, INC. (MB – 1598) – 8/7/00 | MLB – 441 Coastal Mortgage Corporation of Maryland – 9/30/00  |
|  | MB – 1617 Anchor Financial Group, Inc. – 10/10/00   |
| MLB – 593 Madison Mortgage & Finance, LLC – SURRENDERED LENDER AUTHORITY ONLY – NOW MB – 1635 – 8/15/00                  | MB – 1233 Realty Capital Group, Incorporated d/b/a Equity Funding Group – 10/12/00  |

### **MORTGAGE LICENSE REVOCATIONS SINCE JULY 15, 2000**

- MLB – 503 Island Mortgage Network Inc. d/b/a Apponline.com – 10/18/00 – Revoked pursuant to §6.1-425 of the Code of Virginia for failing to disburse loan proceeds as required by the Code of Virginia

### **MORTGAGE APPLICATIONS DENIED SINCE JULY 15, 2000**

- MB – 1573 Vincent O'Niel Jones – 8/31/00
- MB – 1605 Prime Financial Group, Inc. – 9/28/00
- MB – 1545 Newport Shores Mortgage, Inc. – 10/2/00
- Mirador Diversified Services, Inc. was denied permission to acquire 100% of United Mortgagee, Inc. (MLB – 180) – 8/31/00



**PENALTIES PAID BY MORTGAGE LICENSEES SINCE JULY 15, 2000**

MB – 1065 Choice Mortgage Corporation – 8/16/00 – Paid \$15,000 for various violations of the Mortgage Lender and Broker Act

MLB – 318 Mortgage Edge Corporation – 10/12/00 -- Paid \$12,000 for various violations of the Mortgage Lender and Broker Act

The following licensees were fined on September 14, 2000 for failure to file the Annual Report by March 1, 2000 as required by Section 6.1- 418 of the Code of Virginia:

MLB – 49 Continental Mortgage & Investment Corporation – Paid \$300  
 MB – 711 Global Funding Group, L.C. – Paid \$300  
 MB – 754 First Mid Atlantic Mortgage Corporation, Incorporated – Paid \$300  
 MB – 1137 Dominion First, Inc. – Paid \$300  
 MB – 954 Equitable Mortgage Group, Inc. – Paid \$300  
 MB – 979 North Atlantic Mortgage Corporation – Paid \$300  
 MB – 1143 Seniors First Mortgage Company, LLC – Paid \$300  
 MB – 896 The Funding Group, Inc. – Paid \$300  
 MB – 842 Integrity Mortgage & Finance, Inc. – Paid \$300  
 MB – 560 McLean Funding Group, Inc. – Paid \$300  
 MLB – 390 Monument Mortgage Corporation – Paid \$300  
 MB – 634 Mortgage Concepts, Inc. – Paid \$300  
 ML – 323 Mortgage Network USA, Inc. – Paid \$300  
 MLB – 197 Mortgage Service Center, Inc. – Paid \$300  
 MB – 408 Premier Mortgage Corporation – Paid \$500

**Gramm-Leach-Bliley Act** (continued from Page 1)

Licensees affected by the requirements of the Act must take the steps necessary to comply with the provisions of the Act and its Rules by July 1, 2001, the date set for mandatory compliance.

Information for this article was obtained from the Federal Trade Commission's Final Rule 16 CFR 313 (<http://www.ftc.gov/os/2000/05/65fr33645.pdf>). We suggest you review this website for additional information and/or seek legal advice to ensure compliance with the Act.

**Upcoming Commission holidays are scheduled for the following dates:**

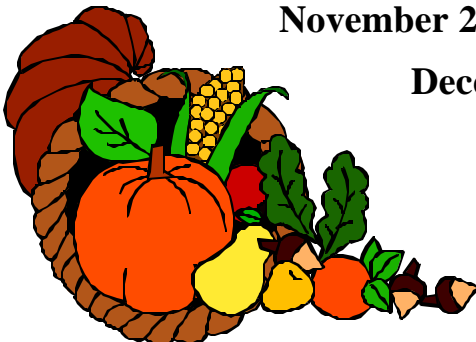
**November 23<sup>rd</sup> – 24<sup>th</sup> Thanksgiving Holiday (Nov. 22<sup>nd</sup> Noon Closing)**

**December 25<sup>th</sup> - 26<sup>th</sup> Christmas Holiday (Dec. 22<sup>nd</sup> Noon Closing)**

**January 1<sup>st</sup> – 2<sup>nd</sup> New Year's Holiday**

**January 12<sup>th</sup> Lee - Jackson Holiday**

**January 15<sup>th</sup> Martin Luther King, Jr. Holiday**



**IMPORTANT COMMISSION TELEPHONE NUMBERS**

Consumer Finance and Mortgage Examinations ....(804) 371-9701

Licensing (applications, name changes, relocations).....(804) 371-9690

Consumer Complaints.....(804) 371-9705

Banks and Savings Institutions.....(804) 371-9704

Corporate Information – Clerk's Office.....(804) 371-9733

FAX Number for the Bureau of Financial Institutions.....(804) 371-9416

**Bureau of Financial Institutions**

**State Corporation Commission**

**P.O. Box 640**

**Richmond, Virginia 23218-0640**

**IMPORTANT REGULATORY  
INFORMATION ENCLOSED!!!**